



October 10, 2013

Mr. Keith Wallace, Project Manager  
California Department of Water Resources  
Division of Integrated Regional Water Management  
Financial Assistance Branch  
Post Office Box 942836  
Sacramento, CA 94236

**Subject: Comments on Draft Proposition 84-Round 2 Implementation Grant Funding  
Recommendations for the Coachella Valley IRWM Region**

Dear Mr. Wallace,

The Coachella Valley Regional Water Management Group (CVRWMG) would like to thank the California Department of Water Resources (DWR) for the opportunity to provide input on the draft funding recommendations for Proposition 84-Round 2 Implementation Grant. We are very pleased that DWR has recommended full funding for our IRWM Region as this money will be used to assist implementation of five high-priority projects that will provide substantial benefits to the Coachella Valley IRWM Region and the State of California, and will have specific benefits to disadvantaged communities and a Tribal Nation.

While we are pleased with the recommended draft funding recommendations, based on DWR's Proposal Evaluation, we are concerned that DWR has misunderstood conditions in the Coachella Valley and has improperly scored our grant proposal as a result of these misunderstandings. Information is provided below as a means to clarify these misunderstandings and support the merit and benefits of the projects included in the proposal. The information provided below is organized in accordance with DWR's evaluation summary – text provided in *italics* was provided by DWR in the proposal evaluation.

## Work Plan

*The applicant did not provide any information on activities within tasks that are not requesting grant funds, only that CVWD will be responsible and that activity is not included in the work plan. For example, Project 1, construction contracting and CEQA/permitting tasks.*

Specific tasks such as CEQA and permitting were not included in the Work Plan for some of the projects, such as the example provided by DWR for Project 1, because those tasks were not included in the overall scope of work included within the grant proposal. For specific information on Project 1, Page 3-22 (refer to the section on Completed Work) of the grant proposal specifically notes that, “CEQA work was completed via the Coachella Valley Water Management Plan Update Supplemental Program Environmental Impact Report (SEIR) (2010) and the Mid-Valley Pipeline Environmental Impact Report (2007). Proposed connections would consist of less than 1 mile of pipeline each and would require only a Categorical Exemption or Mitigated Negative Declaration.” As also noted in the Work Plan, the Coachella Valley Water District (CVWD) has full-time staff that routinely completes such CEQA and permitting documentation; this work will be completed in-house and incorporated into CVWD’s administration costs. Furthermore, information provided in Attachment 8 (refer to Page 8-25) demonstrates that environmental documentation and compliance, including CEQA and permitting work, were included in the total project costs and therefore will certainly be completed as part of the project.

Given the information provided above, adequate information regarding CEQA and permitting for Project 1 was provided to DWR to demonstrate how this project would comply with regulatory requirements.

## Budget

*Overall, the costs shown in the budget are supported by documentation and contain an explanation of how the project costs were estimated. However, subtask 4.2.4 in Project 2 does not contain the number of hours per classification instead it contains total wages.*

We acknowledge that there is an error in Table 4-16 pertaining to Subtask 4.2.4 of Project 2; however given that the hourly wages and total values were provided correctly in the table, one could easily deduce the proper number of hours per classification as provided below.

4.2.4 Characterize Groundwater Quality and Occurrences					
Discipline	Hourly Wage (\$/Hr)	Number of Hours	Total	Grant Request	Funding Match
Principal in Charge	\$270	2	\$540	\$540	\$0
Sr. Project Manager	\$225	24	\$5,400	\$5,400	\$0
Project Manager	\$205	64	\$13,120	\$13,120	\$0
Project Engineer	\$175	80	\$14,000	\$14,000	\$0
Project Administrator	\$95	1	\$95	\$95	\$0
Subconsultant			\$4,400	\$4,400	\$0

*Task 5 of Project 4 contains a calculation error regarding hourly wage and number of hours.*

We acknowledge that there is an error in Table 4-31 pertaining to Task 5 of Project 4; however given that the hourly wages and total values were provided correctly in the table, one could easily deduce the proper number of hours as provided below.

<b>Task 5: Final Design</b>						
	<b>Discipline</b>	<b>Hourly Wage (\$/Hr)</b>	<b>Number of Hours</b>	<b>Total</b>	<b>Grant Request</b>	<b>Funding Match</b>
Preliminary Engineering Report	A&E	\$90	259	\$23,325	\$0	\$23,325
Geotechnical Investigations	A&E	\$90	73	\$6,600	\$0	\$6,600
Final Design (100%)	A&E	\$90	605	\$54,425	\$0	\$54,425
<b>Total</b>				<b>\$84,350</b>	<b>\$0</b>	<b>\$84,350</b>

*Additionally, Project 4 table 4-32 contains a lump sum total, without additional information to support the reasonableness of the total.*

This statement regarding additional information to support the lump sum total is inaccurate. As stated on Page 4-32 of Attachment 4, “The initial cost estimate provided by the Coachella Valley Engineers, which was used as a basis for the lump sum cost estimates presented below is included as Appendix 4-1 to this attachment.” Appendix 4-1 was provided to DWR as a specific appendix to Attachment 4 to provide necessary clarification and support for the use of lump sums in Table 4-32 as required by DWR in the Proposal Solicitation Package (PSP) for Implementation Grants.

## **Monitoring, Assessment, and Performance Measures**

*The criterion is marginally addressed and documentation and rationales are incomplete and insufficient. Most of the monitoring targets are not measurable and the measurement tools and methods do not effectively track performance. For example, in Project 1, a benefit type is “secure reliable imported water supply”, but neither the target, nor measurement tools and methods contain the proper metrics to support the goal. In addition, for several benefits listed in Project 1, “linear feet of pipeline” and “MGD of non-potable water used” are listed as performance indicators yet no measureable target is provided.*

The desired outcome associated with the Project 1 goal identified by DWR in the above comment is to “Provide Reliable Water Supply”. As explained in detail in Attachments 7 and 8, Project 1 would provide available supplies of non-potable water to golf course users that currently rely on on-site groundwater pumping for irrigation. As also explained in Attachments 7 and 8, without the project and assuming that the Region is working to address long-term groundwater overdraft, CVWD would be required to purchase additional imported water (via exchange with State Water Project [SWP] supplies) to offset onsite groundwater pumping by the golf course users. Given current and future anticipated reliability issues associated with imported water and SWP water in particular, it is reasonable that offsetting imported water with reliable

local non-potable supplies would match source to use and increase water supply reliability. As such, it is appropriate that CVWD would utilize measurable metrics associated with construction of Project 1 (use of non-potable supplies and linear-feet of pipeline) as a means to measure water supply reliability associated with the project. Furthermore, given the nature of Project 1 and records compiled by CVWD, the use of engineering and construction records and billing data would be more than adequate for properly measuring the amount of linear feet of pipeline implemented for the project as well as the amount of non-potable water supplied as a result of the project.

*Furthermore, in Project 5, a benefit type listed is “provide reliable water supply” but the measurement tool is “engineering drawings.” Thus, it is difficult to determine if it is feasible to meet the targets within the life of the projects.*

As described in detail in Attachments 7 and 8, Project 5 is an engineering and design project for an economically disadvantaged tribal community. This project does not include construction or implementation components, but rather includes the design and engineering work required to leverage additional funding to complete construction. Therefore, as explained in Attachment 6 (see Page 6-16), monitoring-related materials would be provided by the tribal community (the Torres-Martinez Desert Cahuilla Indians or DCI), “as the project sponsor for the *Torres-Martinez Avenue 64 Water Supply Connection Project*, the Torres-Martinez DCI staff will provide 1) engineering drawings, 2) informational flyer for distribution to tribal residents, and 3) cost comparison of bottled water vs. municipal service based on the systems’ design capacity. CVWD will review and approve the engineering drawings for use during Phase II.” Due to the nature of this project, engineering drawings that provide detailed descriptions of the physical work that will ultimately be completed for the project are the only potential metric available to measure project performance.

### **Technical Justification**

*The proposal is technically justified to achieve the claimed benefits but is either not fully supported by documentation that demonstrates the technical adequacy of the project(s) or physical benefits are not well described. The applicant provided information that clearly identifies and describes the physical benefits of each project included in the proposal. The technical analysis is appropriate and justified considering the size of the projects and the type of benefits claimed. The physical benefits of the projects are quantified where applicable. The proposal includes the actual supportive studies and a summary description of each study. However, the assertion that implementation of Project 1 will result in a net decrease in Delta exports is not well supported.*

The information provided by DWR regarding support for the assertion of a net decrease in Delta exports is not accurate, and shows an apparent misunderstanding by DWR regarding the Coachella Valley’s water supply system. As explained in the grant proposal and in detail in the primary supporting document used for the proposal (the *2010 Coachella Valley Water Management Plan*), the Coachella Valley fully utilizes secured water supplies from three main sources: groundwater, State Water Project allotments, and Colorado River water allocations delivered via the Coachella Canal. Assuming constant water demands, a reduction in availability of any one of the secured water supply sources would transfer water supply dependency to one of the other sources. In order to manage groundwater levels and eliminate long-term overdraft, the region recharges groundwater with its State Water Project supplies, and meets agricultural and

golf course irrigation needs with non-potable water delivered via the Coachella Canal (Canal water) and recycled water.

Project 1 reduces groundwater pumping by converting golf courses from onsite groundwater pumping to non-potable water provided by blending recycled water and Canal water (refer to Page 7-3 of the grant proposal). Since Project 1 reduces groundwater pumping from the aquifer, it reduces the need for recharge back to the aquifer with State Water Project supplies and therefore reduces the need for future exports from the Delta. As explained in detail in the Without Project Baseline for Project 1 (refer to Page 7-4 and Page 7-5), without the project additional groundwater recharge would need to take place to offset irrigation demands, which would involve increased purchases of SWP exchange water to balance groundwater overdraft.

### **Benefits and Costs Analysis**

*Collectively the proposal is likely to provide a medium level of benefits in relationship to cost and this finding is supported by detailed, high quality analysis and clear and complete documentation.*

While the CVRWGMG appreciates DWR's acknowledgement of the high quality analysis and clear and complete documentation, for reasons described below, the level of benefits is likely to be high (rather than medium) relative to costs.

*The scoring for this application is substantially affected by Project 1, as this project accounts for almost 80 percent of economic costs. The economic analysis for this project suggests that the project is economical, but the project is probably not as economical as claimed. The Canal Water almost certainly has a significant opportunity cost for use elsewhere in southern California that is not counted.*

The comments provided by DWR regarding the usability of Canal water elsewhere in southern California shows an apparent misunderstanding by DWR regarding the Coachella Valley's water supply system. The Coachella Valley fully utilizes secured water supplies from three main sources: groundwater, State Water Project allotments, and Colorado River water allocations delivered via the Coachella Canal (Canal water). These supplies are fully secured by long-term contracts. State Water Project Allotments have been secured by CVWD and the Desert Water Agency (DWA) both of whom are state water contractors. Canal water has been secured by a series of interstate compacts including the Quantification Settlement Agreement (QSA), and federal and state legislation known as the Law of the River. Therefore, the Coachella Valley's water supplies are not available for use elsewhere in southern California, and it is of paramount importance that these supplies be optimally managed to eliminate long-term overdraft in the Coachella Valley. Project 1 will maximize the Region's ability to address groundwater overdraft via source substitution by extending secured supplies of non-potable Canal water (available only to the Coachella Valley) and recycled water to golf courses, which will directly reduce irrigation demands on groundwater.

*The analysis assumes that, without-project, State Water Project (SWP) water would be purchased (by exchange) to replenish groundwater pumped by the golf courses. If less expensive canal water is available as assumed, it is more plausible that CVWD would use that water for replenishment instead of SWP water. A clear without-project condition would help and it appears the opportunity cost of waters to be used is understated.*

The without project baselines for each project are provided in Attachment 7, and, as stated by DWR are supported by clear and complete documentation. As indicated in Attachment 7 and in Attachment 8 and supported by documents such as the Coachella Valley Water Management Plan, “Canal water and recycled water are significant existing local resources that are underutilized for agricultural and golf course irrigation. Backbone distribution systems exist to deliver non-potable water, but funding is needed to connect potential customers to existing non-potable water distribution systems and further reduce groundwater pumping” (see Page 7-3). Furthermore, the Coachella Valley Water Management Plan explains in detail that although Canal water has historically been used for agricultural irrigation in the eastern Coachella Valley, development and growth in urban communities have increased water demands in the western Coachella Valley. In order to maximize use of the Canal water and maximize groundwater overdraft reduction, it is essential to provide the infrastructure necessary to convey Canal water to urban non-potable water users throughout the Coachella Valley, and particularly in the mid-valley area where there are no existing groundwater recharge facilities and overdraft is the greatest. Looking at the grant proposal and its supporting documents (which are heavily referenced in Attachment 7 and Attachment 8) provides a clear and holistic understanding of the Coachella Valley’s water supply, and demonstrates that the use of Canal water for irrigation is an economic and preferred method for reducing groundwater overdraft via source substitution.

*Project 3 – Subarea D2 accounts for 35 percent of funding requested. Benefits are based on imported water supply cost savings, hotel revenues and taxes, and reduced costs of septic system maintenance. The hotel revenues and transient occupancy tax cannot be counted as an economic benefit because 1) only net revenues should be counted, and 2) the revenues represent money that might be spent elsewhere in the State.*

As discussed in detail in Attachment 7 and Attachment 8, the naturally hot and mineral-rich groundwater within the Desert Hot Springs groundwater aquifer provides the basis for the spa and hotel industry of the City of Desert Hot Springs, an economically disadvantaged community (DAC). Without the project, effluent from septic tanks would continue to threaten the Desert Hot Springs aquifer and therefore the spa and hotel industry and the City of Desert Hot Springs’s economy.

Due to the economic importance of the industry related to the Desert Hot Springs aquifer in the project area, it is fully justified to count hotel revenues and transient occupancy tax as an economic benefit. Even if revenues from the hotels and spas in the area could be spent elsewhere in the State, if the without project impacts were to occur, these impacts would likely result in substantial impacts to the Desert Hot Springs economy. Given the relatively fragile economic conditions of the City of Desert Hot Springs (existing DAC status), impacts to this economy would very likely have statewide impacts associated with unemployment and loss of tax revenues. In addition, natural hot springs such as those found in Desert Hot Springs exist in very few locations throughout the State of California; therefore, DWR’s assumption that the revenue could be easily transferred to other areas throughout the State is over-stated. Even if these revenues were transferred to other areas in the State, they may not be transferred in a way that



would directly support DACs as is the case in Desert Hot Springs. DWR's assumption of simple economic transfer throughout the State goes against DWR's own priorities to support DACs and understates the importance of implementing projects that directly support the critical water quality needs of DACs.

As such, Project 3 would not only have local economic benefits, but would also result in statewide benefits that were not considered by DWR during analysis of the grant proposal.

*Recycled wastewater will reduce flows to the Salton Sea.*

*Two projects would fund studies and documentation. Physical benefits are hard to document, however, it appears that Project 2 is needed to continue recycled water use in the region. Therefore, it is assumed that, without the program, recycled water use of 14,268 AFY would be lost beginning in 2016. However, if this benefit were lost, flows to the Salton Sea would probably be increased.*

Although stated twice by DWR in the proposal evaluation, it is not accurate that the use of recycled wastewater would reduce flows to the Salton Sea. Information provided in the primary supporting document used for the proposal (the *2010 Coachella Valley Water Management Plan Update and SEIR*), demonstrates that in the long-term, reduction of groundwater overdraft will increase flows to the Salton Sea by helping to return aquifers to artesian conditions (refer to Page 6-40 and 6-41 of the Water Management Plan). Given that source substitution via use of non-potable water sources such as recycled water is a method of in-lieu groundwater pumping, use of recycled water will help to reduce groundwater pumping and thus overdraft and lead to pressure conditions that will increase flows of groundwater to the Salton Sea on a long-term basis. Therefore, it is not accurate to claim that recycled wastewater will reduce flows to the Salton Sea; but rather, use of recycled water in the Coachella Valley could potentially increase flows of groundwater to the Salton Sea.

*Project 5 would fund design and engineering work. The eventual connection appears to be a very worthy project, and cost-effectiveness comparisons are provided. However, in this context, a cost-effectiveness analysis of the study itself should have been provided.*

While the CVRWGMG agrees with the merit and benefits of Project 5, it is not apparent that cost-effectiveness analysis of the Project 5 study itself should have been conducted. Page 45 of the PSP states (with regards to the cost-effectiveness analysis), "If at least one alternative can be identified and its cost estimated, report that cost for Question 2. Provide a short narrative discussion about this alternative method." In accordance with the PSP, the CVRWGMG identified an alternative to Project 5 based on preliminary engineering work conducted by Indian Health Services (IHS) and conducted a cost-effectiveness analysis of alternatives analyzed by IHS (refer to Page 8-74).

## **Program Preferences**

The CVRWGMG has no comments on DWR's evaluation of the Program Preferences.

## **Conclusion**

Again, CVRWGMG thanks DWR for the opportunity to provide input on the draft funding recommendations for Proposition 84-Round 2 Implementation Grant. Our region appreciates DWR's solicitation of our input and hopes the suggestions in this letter are useful to clarify apparent misunderstandings regarding the region's water supplies and the grant proposal. The

CVRWMG looks forward to the release of the final grant awards and implementation of our high-priority projects.

Sincerely,

A handwritten signature in black ink that reads "Patti Reyes". The signature is written in a cursive, flowing style.

Patti Reyes on behalf of the CVRWMG  
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